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WILLIAM G. HOLLAND

AUDITOR GENERAL

1995 ANNUAL

ILLINOIS AUDIT ADVISORY

Emerging and Potential Audit Issues

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AUDITOR GENERAL'S MESSAGE

The purpose of the Illinois Audit Advisory is to share information that may make State agency operations more efficient, effective, and/or increase compliance with State law. The Advisory will be issued each July to all State agencies.

The Advisory will contain information disclosed in audits that could benefit other agencies. For example, recent audits showed the State was paying telecommunications taxes and unemployment benefits for which it was not liable.

The Advisory will examine issues that have the potential for becoming findings. For example, employees playing games on computers were recently highlighted by the news media. Before such an issue becomes an audit finding, your agency might

examine the adequacy of controls in this area.

The Advisory will also contain information about changes impacting the Office of the Auditor General which affect State agencies, such as new audit requirements and changes in our audit processes.

I view the audit function as a cooperative effort where the auditor and the auditee can work together to improve State government. The information contained in this and subsequent issues of the Illinois Audit Advisory will take us farther along that road.

WILLIAM G. HOLLAND
July 1995

LEGISLATION FROM RECENT AUDITS

This spring the General Assembly passed two bills concerning matters addressed in recent performance audits. Both bills have been signed by the Governor.

◆ MANAGEMENT AUDIT

State's Collection of Money from Circuit Clerks

The audit reported that statutes did not require circuit clerks to be audited for assessment, collection, or remittance of fines, fees, and penalties to the State.

Senate Bill 389 (Public Act 89-70) was passed which amends the State Auditing Act to create a committee to develop guidelines for auditing circuit clerks.

The Act designates the Auditor General as chairperson and provides for appointment of circuit clerks, county and municipal officials, and

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REDUCE THE TIME IT TAKES TO AUDIT YOUR AGENCY

No matter how good the auditor and auditee relationship, most auditees would rather not have auditors around for long. Below are items which could reduce audit time and findings.

◆ Maintain a list of vehicles

including license plate number, make, year, property identification number, purchase date, assigned operators, and periodic odometer readings.

◆ Analyze annual fluctuations in receipts and expenditures and

document significant fluctuations.

◆ Clearly document support for property additions and deletions reported on the Agency's Quarterly Report of Fixed Assets (C-15 Report).

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CONTROL USE OF SOFTWARE

Many computers come with pre-installed software. They include games to help users learn the mouse and the other Windows commands. However, after users have learned the commands, the games have often not been removed.

In order to ensure that State employees are not playing computer games, agencies should remove the games or install proper controls.

In addition, software vendors are taking a more aggressive stance against illegal copying of software programs. Groups such as the Software Publishers Association and Business Software Alliance are actively pursuing copyright infringement cases.

If copyright violations are suspected, the questioned organization must prove it owns all copies of software on their computers. Otherwise, these groups can perform

comprehensive audits to determine the level of noncompliance.

Some organizations have had to absorb fines and software costs in the \$100,000's to correct past ills associated with illegal copying.

All agencies should perform a thorough software audit to ensure copyright infringements do not exist. In addition, procedures should be developed to routinely monitor compliance with software licenses.

MONITOR UNEMPLOYMENT BENEFITS

A recent OAG study found that universities need to more closely monitor unemployment benefit payments.

Twenty-nine ineligible employees on seasonal layoff at four universities received unemployment benefits during 1992 or 1993. Nine of 29 continued to receive benefits even after they returned to their university positions. The total questionable benefit payment was over \$43,000.

The study recommended that universities and the Department of

Employment Security strengthen procedures to ensure that unemployment benefits are not paid to ineligible employees.

All agencies should examine the adequacy of their procedures to review unemployment claims and check the information submitted by the Department of Employment Security.

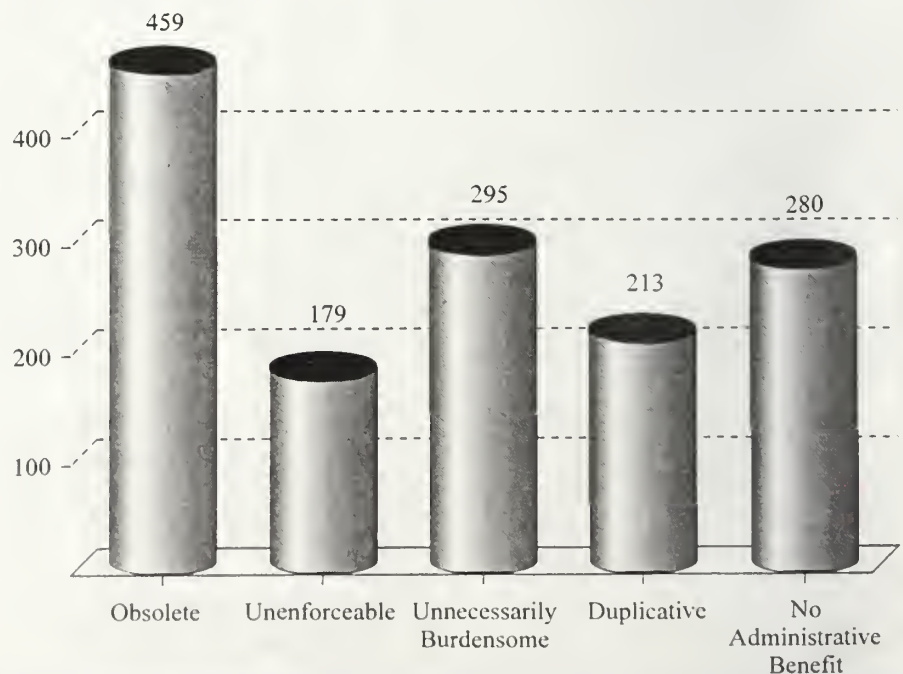
If you have questions about this study, contact Jim Kincaid, audit manager.

AGENCIES' INPUT MAY CHANGE STATE LAWS

In February 1995, we released the Special Study of Administrative Mandates. The success of the study was the direct result of the time and effort invested by the 100 State agencies which participated in the study.

The study identified administrative statutes that agencies said were obsolete, unenforceable, unnecessarily burdensome, duplicative, or of no administrative benefit. Agencies cited 912, or 7% of all provisions reviewed, as meeting at least one of the above criteria.

If you have questions about this study, contact Bruce Bullard, Assistant Director of Compliance Audits.

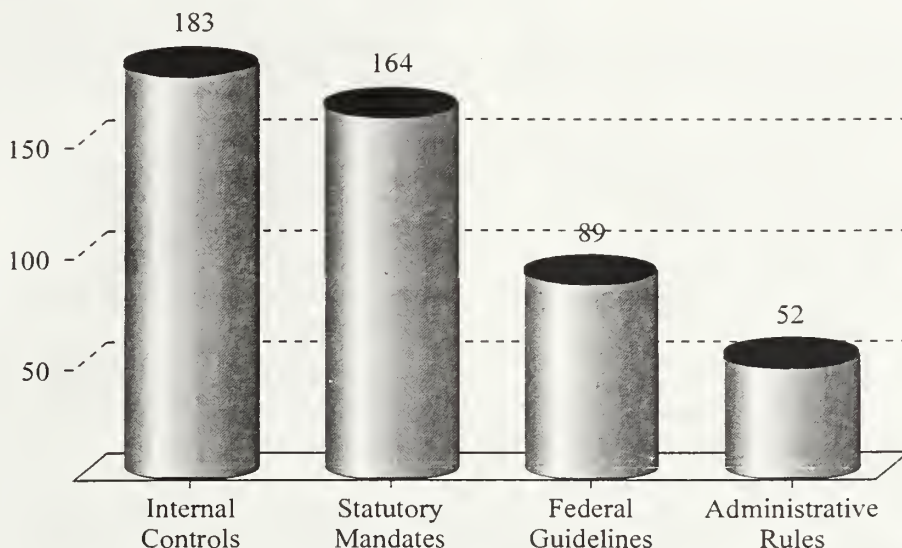


MOST COMMON TYPES OF FINDINGS

Recently released compliance audits for the Fiscal Year ending 1994 reported 530 findings. Most concerned internal controls (183), statutory mandates (164), federal guidelines (89), and administrative rules (52).

Over 200 findings were repeated from previous years. This indicates that some agencies can enhance controls by:

- ◆ Keeping complete records of receipts, expenditures, accounts receivables, property, and decision-making processes.
- ◆ Protecting State resources, such as property and equipment.
- ◆ Developing effective security and disaster recovery plans for



computer systems.

- ◆ Improving federal cost allocation and grant monitoring.

If you have questions about these findings, contact Valerie Koch.

TRAINING ON AUDITING STATE AND LOCAL GOVERNMENT

On August 3 and 4, 1995, the Office of the Auditor General will present "Audits of State and Local Government Units" by David Ricchiute at the Capitol Building in Springfield. Mr. Ricchiute is a professor at the University of Notre Dame and an acclaimed speaker on accounting and auditing.

A few weeks ago, the Office of the Auditor General sent a letter to agency directors inviting them to send a representative to this training. There will be no charge to agencies. Enrollment is limited; reservations will be taken on a first come basis.

Should your agency be interested in sending a representative to attend this course, contact Jody Middendorf, Training Administrator.

INFORMATION DUE ON AGENCY FEES

Public Act 88-660 required the Office of the Auditor General to develop an "Agency Fee Imposition Report Form." Your agency should have received the form this past spring.

The Act requires agencies with fees to file the completed form with the State Comptroller, who will

prepare a summary report each year. The Office of the Comptroller has requested that agencies submit the descriptive data on each fee by June 1, 1995, and all remaining fee information by August 1, 1995.

If you have questions about the form, contact Ameen Dada, audit manager.

VERIFY TAXES ON TELECOMMUNICATIONS

Our management audit of DCMS' telecommunications operations disclosed the State paid certain taxes which were not applicable. These included the Telecommunications Excise Tax and the Municipal Telecommunications Tax which do not apply to State agencies. The audit recommended DCMS institute controls to ensure it does not pay taxes which do not apply to the State.

Most telecommunications bills go through DCMS. However, if your agency receives bills directly from the telecommunications vendor, you may wish to verify that it contains only taxes for which the State is liable.

For more information on these taxes, contact John Wolters, audit manager.

LEGISLATION FROM RECENT AUDITS

(Continued from page 1)

State agency representatives to serve on the committee.

The committee will establish guidelines addressing audit scope, procedures, and types of tests.

◆ MANAGEMENT AUDIT

Department of Public Aid's Child Support Collection and Enforcement Program

The audit recommended that the General Assembly consider clarifying the law that deals with revoking

various licenses, particularly driver's licenses, for non-payment of child support.

The General Assembly passed Senate Bill 1204 (Public Act 89-92) which allows the revocation of driver's licenses of noncustodial parents who are delinquent in paying child support.

If you have questions about these audits, contact Ed Wittrock, audit manager.

REDUCE THE TIME IT TAKES TO AUDIT

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- ◆ Analyze amounts not capitalized on the Property, Plant, and Equipment GAAP form (SCO-538); document significant amounts not capitalized.
- ◆ Retain supporting documentation for accounts payable reported on the GAAP form - Summary of Liabilities at June 30 (SCO-549).
- ◆ Maintain a list of telephone credit cards and revoke cards when employees leave the agency.
- ◆ Submit annual GAAP reporting packages and forms by the dates

established by the Comptroller's Office.

- ◆ Retain complete multi-year leases initiated in one audit period and still in effect in the next audit period (original lease and amendments).
- ◆ Establish a policy on telephone use and document monitoring to ensure compliance.

If you have questions about the financial/compliance audit process, contact Tom Loobey, Director of Compliance Audits, or Georgine Stephens, audit manager.

INTERNET SECURITY IS IMPORTANT

In the past year, there has been a great deal of interest in placing information on, and accessing information via, the Internet.

The age of information is upon us and users want immediate access to the myriad of information located throughout the world. This places a wealth of information at the fingertips of users regardless of their locations; however, it also significantly increases the exposure of information to disclosure, modification, or destruction.

Security is an important aspect of computing and must be an integral component of a remote computing environment.

Agencies should consider security issues as an integral component of Internet access and take the necessary measures to ensure that such access does not expose the State's information to undue risk.

If you have questions about issues related to computerized information, contact Bill Sampias, Director of Information Systems Audits.

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